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United States Government Accountability Office  
Washington, DC 20548

June 23, 2009

Congressional Committees

Subject: *Military Personnel: Reserve Component Servicemembers on Average Earn More Income while Activated*

Since September 2001, the Department of Defense (DOD) has relied heavily on the reserve component<sup>1</sup> primarily in support of ongoing contingency operations for the Global War on Terrorism, which is now known as the Overseas Contingency Operation. As of February 2009, approximately 691,000 reserve servicemembers have been activated<sup>2</sup> in support of operations in Iraq and Afghanistan, with many of these servicemembers being called for multiple deployments or extended for more than one year. This increased use of the reserve component servicemembers has led to questions by Congress about whether reserve component servicemembers might be experiencing a decline in earnings as a result of extended and frequent activations.

Citing the nation's increased reliance on the reserve component, Congress mandated in 2002 that we review compensation programs available to reserve component servicemembers serving on active duty.<sup>3</sup> In September 2003, we reported that DOD lacked sufficient information to determine the need for compensation programs and recommended that DOD obtain more complete information on the magnitude of income change, the causes of any such identified change, and the effect of income change on retention.<sup>4</sup> The results of DOD's 2004 Status of Forces Survey of Reserve Component Members showed that about 51 percent of reserve component servicemembers responding to the survey reported that they had experienced a decline in earnings while activated.<sup>5</sup> However, our 2003 report noted that survey data are questionable primarily because it is unclear what survey respondents considered as income loss or gain in determining their financial status.

<sup>1</sup> The Army Reserve, the Army National Guard, the Air Force Reserve, the Air National Guard, the Navy Reserve, and the Marine Corps Reserve constitute DOD's reserve component.

<sup>2</sup> We use "activated" throughout this report to refer to serving on active duty beyond the standard 30 days of annual active duty training, whether serving voluntarily or involuntarily as part of a mobilization or other call to active duty.

<sup>3</sup> H.R. Rep. No. 107-436, accompanying the Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107-314 (2002).

<sup>4</sup> GAO, *Military Personnel: DOD Needs More Data to Address Financial and Health Care Issues Affecting Reservists*, GAO-03-1004 (Washington, D.C.: Sept. 10, 2003).

<sup>5</sup> The survey results are a compilation of responses by servicemembers who completed the survey. Because responses are self-reported, survey results do not provide direct evidence that servicemembers have in fact lost income while activated.

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>23 JUN 2009</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2009 to 00-00-2009</b>	
4. TITLE AND SUBTITLE <b>Military Personnel: Reserve Component Servicemembers on Average Earn More Income while Activated</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>43</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005<sup>6</sup> directed DOD to conduct a survey to determine the extent to which such members sustained a reduction in monthly income during their active duty service compared to their average monthly civilian income during the 12 months preceding their mobilization. DOD was also required to include a survey question that would solicit information regarding the likely effect that a reoccurring monthly active duty income differential while serving on active duty would have on the servicemember's decision to remain in the armed forces.<sup>7</sup> The Secretary was required to analyze the data and to submit a report, containing the results of the survey, results of the required analysis, and any recommendations the Secretary considered to be appropriate regarding alternatives for the restoration of any lost income. In addition, GAO was directed to assess the findings and recommendations of the Secretary's report. Although the Secretary's report was due to be released to Congress and GAO not later than January 31, 2006; to date, it has not been released. However, DOD officials provided us with the Institute for Defense Analyses' (IDA) and RAND Corporation's (RAND) technical studies, which provided the data on which DOD's report to Congress will be based.

Our objectives for this review were to evaluate (1) whether DOD has determined if any differential exists between the income earned by reserve component servicemembers while performing active duty service and the civilian income they would otherwise have earned and (2) the extent to which any differential existing between the income earned by the activated reserve component servicemembers and that earned by civilians has affected attrition for reserve component servicemembers. Based on discussions with congressional staff, we are also providing, in enclosure III, examples of public and private sector supplemental compensation provided to activated reserve component servicemembers.

To evaluate whether DOD has determined if any differential exists between the income earned by reserve component servicemembers while performing active duty service and the civilian income they would otherwise have earned, we reviewed DOD's Status of Forces Surveys of Reserve Component Members from May 2004 through June 2007 and the IDA and RAND technical studies regarding the effect of activation on reserve component servicemembers' income. The May 2004 and June 2005 surveys are the most current surveys that included questions concerning earnings before and during active duty service. Subsequent surveys from December 2005 through June 2007 did not ask for specific amounts of income change.<sup>8</sup> We discussed the scope and methodology used by IDA, RAND, and the Defense Manpower Data Center with the officials who produced these analyses. We also discussed the internal controls they used to ensure data reliability. Based on our

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<sup>6</sup> Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 665 (2004).

<sup>7</sup> Reserve components review attrition, instead of retention, when tracking the number of servicemembers in the reserve component. Further information on attrition tracking is included in the Background section.

<sup>8</sup> The results of DOD's December 2007 and June 2008 surveys were not available at the time of our review and thus were not included in our analysis.

review, we believe that the methods used by RAND and the Defense Manpower Data Center were sound and that their analyses and conclusions are sufficiently reliable for the purposes of our audit. To determine the extent to which any differential existing between the income earned by the activated reserve component servicemembers and that earned by civilians has affected attrition for reserve component servicemembers, we reviewed the surveys and technical studies to identify any findings related to attrition caused by income loss. We also requested from the Defense Manpower Data Center a tabulation of the attrition rates for the military occupations that RAND found to have the highest percentage of reserve component servicemembers with lost income. We reviewed the Defense Manpower Data Center's methodology, analyzed the logs generated when compiling and calculating the attrition data, and spoke with officials about internal controls to ensure data reliability. We determined that their methodology was sound and the data were sufficiently reliable for the purposes of this audit. We conducted this performance audit from August 2008 through June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. For a complete discussion of our scope and methodology, see enclosure I.

## **Results in Brief**

Although most reserve component servicemembers in response to surveys conducted in 2004 and 2005 reported earnings losses when activated, DOD-sponsored technical studies determined that for calendar years 2004 and 2005, on average, reserve component servicemembers earned more income while serving on active duty than they had earned as civilians before being activated. In 2008, RAND produced its most recent technical study on the effect of activation on reserve component servicemembers' income, which compared survey responses with pay reported to the Social Security Administration and with military pay records. RAND determined that on average, reserve component servicemembers experienced a net gain of approximately \$1,400 a month in 2004 and approximately \$1,600 a month in 2005, after activation. However, RAND found that reserve component servicemembers in three enlisted military occupations—sonar operator, general; investigations; and military training instructor—earned less income on average after activation in 2005 than they earned before activation in 2004. Further, the study also identified 48 enlisted military occupations and 14 officer occupations for which more than 20 percent of sampled reserve component servicemembers experienced any earnings loss after activation. RAND noted that these identified occupations represented 18 percent of activated enlisted members and 31 percent of activated officers. Senior-level reserve component servicemembers and officials from the Office of the Assistant Secretary of Defense for Reserve Affairs told us that they concurred with RAND's findings. The studies cited underreporting of military earnings by omitting tax-free earnings as the main reason for the difference between the self-reported income amounts in survey responses and the studies' analysis of military pay and civilian earnings. Importantly, after 2005, Congress passed several pieces of

legislation providing additional compensation and financial protections to deployed servicemembers, including benefits provided under the Reserve Income Replacement Program, to help alleviate income loss by reserve component servicemembers activated for frequent or extended periods.

Although DOD has not yet provided its report to Congress determining whether income loss while serving on active duty has an effect on a servicemember's decision to remain in the reserve component, we found no correlation between attrition rates and income loss in the military occupations identified by RAND as having over 20 percent of reserve component servicemembers who experienced a decline in income when activated. Even though over 70 percent of reserve component servicemembers responded in the 2004 Status of Forces Survey of Reserve Component Members that both income loss and insufficient pay would be reasons to leave the service, these responses were not provided by military occupation, and subsequent Status of Forces Surveys did not include questions specifically gauging reserve component servicemembers' opinions on whether insufficient pay or income loss constituted reasons for leaving the service. DOD has not determined whether attrition can be attributed specifically to income loss. In discussions with Reserve and National Guard personnel officials, they told us that reserve component servicemembers leave the service for many reasons other than income loss, such as length of deployment, frequency of deployment, and degree of support from employers and family members.

In commenting on a draft of this report, DOD concurred with our findings. The department's comments are reprinted in enclosure V.

## **Background**

### Reserve Component

DOD's reserve component includes the six individual reserve components of the armed forces: the Army National Guard, the Army Reserve, the Navy Reserve, the Marine Corps Reserve, the Air National Guard, and the Air Force Reserve. Reserve personnel are assigned to the Ready Reserve, Standby Reserve, or Retired Reserve.<sup>9</sup> At the end of fiscal year 2008, DOD had approximately 1.1 million reserve component servicemembers in the Ready Reserve, who are subject to recall for active duty to augment the active component in times of war or national emergency. Members of the Ready Reserve are further assigned to one of three subcomponents: the Selected Reserve, the Individual Ready Reserve, or the Inactive National Guard. As of the end of fiscal year 2008, the Selected Reserve had about 846,000 members. The Selected

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<sup>9</sup> The Ready Reserve will usually be called to active duty before members of the Standby Reserve or Retired Reserve. The Standby Reserve is not required to perform training, and consists of a pool of trained individuals who could be mobilized if necessary to fill needs in specific skills. The Retired Reserve consists of all reserve component servicemembers who receive or are eligible for retired pay on the basis of active duty or reserve service.

Reserve largely consists of individuals who are civilians but are required to maintain military readiness through scheduled drilling and active duty training, such as Army Reserve servicemembers serving on active duty, usually 1 weekend a month and 2 weeks a year.

While the Army Reserve, the Navy Reserve, the Marine Corps Reserve, and the Air Force Reserve are purely federal entities, the Army National Guard and the Air National Guard (known collectively as the National Guard) have dual missions, both federal and state. The National Guard is made up of 54 separate organizations, one for each state, and one for Puerto Rico, Guam, the U.S. Virgin Islands, and the District of Columbia. Members of the National Guard, who have not been called into federal service under Title 10 of the United States Code, remain under the command and control of the member's respective state governor in either state status or Title 32 status. While under the control of the governor, a member of the National Guard may be called upon to carry out a number of domestic missions such as responding to natural disasters, protecting state assets from terrorist attack, and training for their federal missions.

### Military Compensation

Military compensation is one of the tools DOD uses to attract and retain people with a mix of cash, noncash benefits, and deferred compensation. For reserve component servicemembers, compensation is affected by the type of military duty they perform. For example, while in reserve duty status, a reserve component servicemember is involved in part-time drilling and is entitled to basic pay and other cash bonuses, along with some noncash benefits, such as commissary access, premium-based health care, and some educational benefits. Part-time compensation is prorated to a portion of the monthly pay for each day of part-time duty. Reserve component servicemembers who are activated for contingency operations are eligible to receive the same compensation as active component personnel, including basic pay, basic allowance for housing, basic allowance for subsistence, federal tax advantage, health care for themselves and their dependents, education benefits, and special pays, such as hazardous duty pay, if they qualify.

### Attrition

For the reserve component, DOD tracks the number of servicemembers based on attrition—that is, the total number of personnel who leave. Conversely, for the active force, DOD tracks retention—that is, the number of personnel who reenlist. To evaluate attrition rates, the reserve component has established attrition rate ceilings based on the maximum percentage of the force they can afford to lose while still meeting end strength numbers.<sup>10</sup> Attrition ceilings are provided only for enlisted

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<sup>10</sup> Congress annually authorizes the number of members each service may have at the end of the fiscal year. This is known as the authorized end strength.

reserve members—not for officers. The reserve component gauges its attrition rates according to these ceilings.

### Status of Forces Survey for the Reserve Components

The Status of Forces Surveys are a series of Web-based surveys conducted by the Defense Manpower Data Center to assess the attitudes and opinions of the active duty, Reserve, and DOD civilian forces on a variety of personnel and policy issues. The surveys are sponsored by the Under Secretary of Defense for Personnel and Readiness and provide senior DOD leaders with critical feedback on personnel programs and policies. The Status of Forces Survey of Reserve Component Members are held semiannually and targets members of the Selected Reserve, including individual mobilization augmentees, who have at least 6 months of service and are below general officer or admiral rank. The survey topics cover a wide range of areas, including career intent, satisfaction with aspects of military service, readiness issues, pay and benefits, and satisfaction with quality of life and family programs. Results for each survey question are tabulated according to component, pay grade, Reserve program, prior service, activated or deployed status, employment or student status, race/ethnicity, gender, and component by pay grade. While the response rates for the surveys tend to be low, these rates reflect the responses of thousands of reserve component servicemembers—according to a Defense Manpower Data Center official, a sufficiently large population to be projectable. For example, in May 2004, the response rate was 39 percent, which equated to 19,432 completed surveys from a random sample consisting of 55,794 individuals drawn from the Defense Manpower Data Center's Reserve Components Common Personnel Data System. In June 2005, the response rate decreased to 36 percent, but the Defense Manpower Data Center's sample size had been increased to 211,003 reserve component servicemembers, so the number of completed surveys received—64,415—was still large enough to afford projection.

In addition to the standard series of questions used in the Status of Forces Surveys of Reserve Component Servicemembers, the May 2004 and June 2005 surveys included questions on income change during activation and following deactivation.<sup>11</sup> Subsequent surveys have not asked for specific amounts of income change when activated, and a Defense Manpower Data Center official explained that this is because of complications in tabulating the responses due to unusual amounts reported in the 2004 and 2005 surveys. However, subsequent surveys have asked general questions about income loss during activation. For example, the June 2006 survey asked reserve component servicemembers about whether they received full, partial, or differential pay when activated, and the June 2007 survey asked whether they or their spouses experienced income change when they were activated. According to a Defense Manpower Data Center official, the Defense Manpower Data Center periodically rotates the set of questions, so that the surveys do not repeat the same ones every year.

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<sup>11</sup> In this report, we refer to the May 2004 and June 2005 surveys as the 2004 and 2005 surveys, respectively.

## **Although Survey Responses Suggest That Most Servicemembers Lost Income When Activated, Technical Studies Show That on Average, Reserve Component Servicemembers Earned More Income**

Although most reserve component servicemembers in response to surveys conducted in 2004 and 2005 reported earnings losses while activated, DOD-sponsored technical studies determined that for calendar years 2004 and 2005, on average, reserve component servicemembers earned more income during activation when comparing their actual military earnings with civilian earnings. However, the studies also found that reserve component servicemembers in three enlisted military occupations—sonar operator, general; investigations; and military training instructor—earned less income on average after activation in 2005 than they earned prior to activation in 2004. Senior-level reserve component servicemembers and officials from the Office of the Assistant Secretary of Defense for Reserve Affairs told us that they concurred with RAND's findings. The studies cited the underreporting of military earnings by omitting tax-free earnings as the main reason for the differences between the self-reported income amounts in DOD's surveys and the technical studies' analysis of military pay and civilian earnings. Since 2005, Congress has passed several pieces of legislation providing additional compensation and financial protections to deployed servicemembers, including benefits provided under the Reserve Income Replacement Program to help alleviate income loss by activated reserve component servicemembers on frequent or extended deployments.

### DOD Surveys Indicated Decreases in Incomes of Reservists While Activated

Until DOD's recent efforts to sponsor IDA's and RAND's technical studies, Status of Forces Surveys of Reserve Component Members have been the principal sources of information as to whether reserve component servicemembers lost or gained income when activated. Before 2004, DOD had not sought information to determine the extent of reserve component servicemembers' income losses based on their actual military and civilian earnings. In May 2004, DOD conducted a Status of Forces Survey of Reserve Component Members that included questions regarding their average monthly civilian income before activation and the monthly military compensation they received after compensation. According to survey responses, about 51 percent of activated reserve component servicemembers reported an earnings loss when activated. Aggregated responses indicated that respondents lost monthly an average \$287 in civilian pay in comparison to military pay when activated.

In response to these survey results, Congress directed DOD to conduct a survey involving reserve component members who served on active duty in support of a contingency operation at any time during the period beginning on September 11, 2001, and ending on September 30, 2005, to determine the extent to which such members sustained a reduction in monthly income during their period of active duty service compared to their average monthly civilian income during the 12 months



preceding their mobilization.<sup>12</sup> As directed by the mandate, in order to be able to project from the responses to its June 2005 Status of Forces Survey of Reserve Component Members, DOD increased its sample size to include at least 50 percent of Selected Reserve servicemembers—nearly four times as many servicemembers as were sampled for the 2004 survey. Further, DOD reworded the questions regarding the income that servicemembers were asked to report, to clarify and narrow the time frame being reported.<sup>13</sup> For example, the 2005 survey instructs respondents to report average monthly income in the 12 months before the most recent activations, but the 2004 survey does not specify a time period. Similar to the 2004 survey results, the 2005 survey results showed an average monthly income loss for reserve component servicemembers when activated, but the average loss was much larger—\$5,623 a month.<sup>14</sup>

### Preliminary Technical Studies Indicated Increases in Incomes of Most Reservists While Activated

While the 2004 and 2005 Status of Forces Surveys of Reserve Component Members were being conducted and tabulated, the Office of the Assistant Secretary of Defense for Reserve Affairs contracted with IDA and RAND to analyze, using actual pay data, the extent of income losses or gains experienced by reserve component servicemembers when activated. Although DOD has not yet released its report in response to the 2005 National Defense Authorization Act, we have reviewed the IDA and RAND reports. According to knowledgeable senior DOD officials, DOD's conclusions and recommendations will be based on the data in these reports.

#### *2005 IDA Study*

In August 2005, IDA reported that about 91 percent of a sample of Army and Air Force reserve component servicemembers in most civilian occupations earned more income while activated than they would have earned had they not been activated.<sup>15</sup> However, reserve component servicemembers employed in some civilian occupations—including physicians, surgeons, lawyers, and dentists for officers, and engineers and managers for senior enlisted personnel—experienced median earnings losses. IDA compared the median active duty military incomes of reserve component servicemembers employed in a given civilian occupation with the median civilian earnings for all civilians in that occupation who had similar education. It derived its sample from data provided by the Defense Manpower Data Center, including reserve component servicemembers who served on active duty after September 11, 2001, who

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<sup>12</sup> Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, §665 (2004).

<sup>13</sup> See enc. II for a comparison of the 2004 and 2005 Status of Forces Surveys of Reserve Component Members questions regarding income.

<sup>14</sup> DOD officials questioned the accuracy and reliability of the 2005 survey results because the 2005 average reported loss was so much greater than the 2004 average reported loss. RAND analyzed the discrepancy in its 2008 technical study, discussed later in this report.

<sup>15</sup> Glenn A. Gotz and Colin M. Doyle, *Income Gains and Losses of Mobilized Reservists* (Alexandria, Va.: Institute for Defense Analyses, August 2005).

provided information to DOD's Civilian Employer Information database and had valid military pay records for calendar year 2003. IDA used U.S. Census Bureau data to obtain average civilian incomes for employees working in similar civilian occupations as the reserve component servicemembers in its sample. IDA's sample included reserve component servicemembers from the Army Reserve, the Army National Guard, the Air Force Reserve, and the Air National Guard, which constituted about 84 percent of reserve component servicemembers according to RAND. IDA was not able to validate 2003 pay records for reserve component servicemembers in the Navy Reserve and the Marine Corps Reserve as these components used different systems to record reserve component servicemembers' active duty pay.

The IDA study cautioned that the median comparisons could not precisely show the percentage of reserve component servicemembers who actually experienced income loss as a result of activation, because the median civilian income used was an average of lower and higher individual incomes. Thus, a particular reserve component servicemember may have lost income even in an occupation in which most reserve component servicemembers generally earned more income when activated.

### *2005 RAND Preliminary Study*

RAND found in a 2005 sample analysis of reserve component servicemembers that about 72 percent experienced a significant increase in earnings while activated.<sup>16</sup> RAND used a sample of Army and Air Force reserve component servicemembers activated in 2001 and 2002 for the Global War on Terrorism.<sup>17</sup> For those reserve component servicemembers, RAND compared information on 2001 civilian earnings for those individuals derived from the Social Security Administration with information on 2002 and 2003 military earnings derived from DOD's pay records.<sup>18</sup> RAND found that the average increase in earnings of activated reserve component servicemembers was over \$850 per month—an increase of 25 percent over what they would have earned if not activated. For those servicemembers whose incomes decreased, RAND's estimates of earnings losses were smaller for those serving on active duty in 2003 (23 percent) than they had been in 2002 (32 percent). RAND attributed the decrease in losses to various causes, such as the basic military pay increases, more special pays, and promotions.

RAND's 2005 report placed a number of caveats on the study's findings. For example, the sample excluded reserve component servicemembers activated for contingency operations unrelated to the Global War on Terrorism. Like the IDA study, RAND's

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<sup>16</sup> Jacob Alex Klerman, David S. Loughran, and Craig Martin, *Early Results on Activations and the Earnings of Reservists* (Santa Monica, Calif.: RAND Corporation, 2005).

<sup>17</sup> The sample excluded reserve component servicemembers serving under Title 32 following September 11, 2001, for purposes of airport security, guarding nuclear facilities, and other related homeland security activities that were not considered active duty in support of the Global War on Terrorism.

<sup>18</sup> Military earnings include pays, allowances, and estimated federal tax advantages from allowances and pay received while serving in a combat zone.

sample excluded Navy Reserve and Marine Corps Reserve members because the components used different systems to record active duty pay. RAND's methodology also excluded the effects of activation on household costs,<sup>19</sup> businesses, and spousal earnings. RAND concluded that study estimates indicated less prevalent and less severe earnings losses among activated reserve component servicemembers than were indicated by estimates derived from DOD survey data. RAND planned to produce a final report, which was issued in 2006, that used better data and more sophisticated analytical methods to generate a more robust characterization of the effects of activation on the earnings of reserve component servicemembers.

Final RAND Technical Studies Indicated, on Average, Increases in Incomes of Reservists While Activated

*2006 RAND Technical Study*

In 2006, RAND released a second, more in-depth study of the effect of activation on reserve component servicemembers' income.<sup>20</sup> Like the preliminary 2005 study, this study found income loss to be less common than had been indicated by DOD's survey responses in 2004.<sup>21</sup> RAND found that for the reserve component servicemembers in its sample who served for more than 30 days of active duty in 2002 and 2003, average earnings increased by \$13,539 over their 2000 earnings—that is, these activated reserve component servicemembers earned 32 percent more than they earned in 2000.<sup>22</sup> RAND's 2006 study also analyzed the income reserve component servicemembers would have earned if they had not been activated in 2002 and 2003. According to the RAND analysis, comparable activated reserve component servicemembers' annual earnings would have increased by \$11,165 had they not been activated—26 percent more than they would have earned in 2000. RAND found that 17 percent of activated reserve component servicemembers in the sample experienced an earnings loss, but at the same time 40 percent of reserve component servicemembers who were not activated also experienced an earnings loss in comparison with their 2000 earnings. Thus, RAND found that unactivated reserve component servicemembers were more likely on average than activated reserve component servicemembers to experience an earnings loss.

RAND's 2006 study compared 2000 civilian income data for individuals who were activated from the Social Security Administration with 2002 and 2003 military pay data from the Defense Manpower Data Center.<sup>23</sup> In the 2006 study RAND expanded its sample to include reserve component servicemembers from all reserve components

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<sup>19</sup> Household expenditures include costs such as hiring a handyman to do household repairs, higher babysitting costs, or storage costs for a car or other belongings.

<sup>20</sup> David S. Loughran, Jacob Alex Klerman, and Craig Martin, *Activation and the Earnings of Reservists* (Santa Monica, Calif.: RAND Corporation, 2006).

<sup>21</sup> Results for the 2005 Status of Forces Survey of Reserve Component Members were not available for the 2006 RAND study.

<sup>22</sup> RAND's analyses were done in 2004 dollars.

<sup>23</sup> RAND defined military pay to include basic pay, special pays, bonuses, allowances, and the federal income tax advantage.

(except the Coast Guard Reserve) who were reserve members from 1999 through 2003, served on active duty for any reason during this time, had active duty and reserve pay records, and had corresponding civilian income data from the Social Security Administration. To determine gross earnings gains or losses—that is, the difference between reserve component servicemember earnings before and after activation—RAND computed the actual difference between civilian earnings in the base year (2000) and military earnings in the out year (2002 or 2003). RAND also analyzed net gains or losses—the difference between military income earned by reserve component servicemembers while activated and the civilian income they could have earned if they had not been activated. RAND found net gains and losses by calculating the difference between the annual military earnings of reserve component servicemembers in the sample for 2002 or 2003 and the annual civilian earnings of reserve component servicemembers of comparable rank and component who were not activated in 2002 or 2003.

Overall, RAND reported gross earnings gains on average for reserve component servicemembers in the sample, shown by rank, component, and number of days deployed. It found that average gross gain amounts rose with rank, while percentage gains were greatest for junior enlisted and junior officers. Marine Corps Reserve members experienced the largest gross gains, and Air Force Reserve members experienced the smallest gross gains. Further, by comparing gross military earnings with the gross civilian earnings of self-employed reservists in the sample, RAND found that on average self-employed reserve component servicemembers experienced an increase in income when activated, although those serving fewer than 90 days experienced a decline in income.

Similarly, RAND's analysis of net earnings showed that overall activated reserve component servicemembers in the sample earned more than reserve component servicemembers of comparable rank and component who were not activated in 2002 or 2003. As with the gross earnings gains, net earnings gain amounts were larger for higher-ranking reserve component servicemembers, while percentage gains were greater for junior ranking reserve component servicemembers. Members of the Army Reserve had more net gains than did those of the other services.

In its 2006 study, RAND attributed the difference between its results and DOD's survey results to a number of factors. For example, RAND noted that survey responses were self-reported and thus likely to have errors. RAND also found that because the DOD survey called for respondents to report pretax military earnings, these reported earnings did not include servicemembers' federal tax advantage. The federal tax advantage is the additional and untaxed income earned by servicemembers; it includes their basic allowance for housing and subsistence as well as all military pays received while serving in a combat zone. DOD considers the federal tax advantage income to be a component of basic military compensation, but it is not reflected in pretax earnings. By excluding these earnings, the survey

responses would present a distorted view of income differentials.<sup>24</sup> In addition, the 2004 survey questions referred to the servicemembers' most recent activations, which might have occurred several years previously.

RAND also placed several caveats on its 2006 study's findings. It noted that the study did not factor in the effect of nonmonetary or deferred compensation earned while activated, including free health care and retirement benefits. Further, the 2006 RAND study did not factor in the potential effect of lost spousal income or other nonfinancial costs incurred by servicemembers while separated from their families, nor did it factor in risk of injury, both of which might affect retention of reserve component servicemembers.

### *2008 RAND Technical Study*

In 2008, RAND released its third and most recent analysis on the effect of activation on reserve component servicemembers' income.<sup>25</sup> In this study RAND expanded on its 2006 analysis to include income differences for 2004 and 2005, to review 2005 survey results, to reconcile the differences between the surveys for 2004 and 2005, and to analyze earnings differences by military occupation group. RAND's 2008 study findings were similar to those of its 2006 study. The 2008 RAND study used similar methodology, comparing military pay data with civilian income data derived from the Social Security Administration. In their responses to the Status of Forces Surveys of Reserve Component Members for 2004 and 2005, reserve component servicemembers reported that on average they experienced a loss of \$287 a month in 2004 and \$5,623 a month in 2005. Using administrative pay data, however, RAND determined that reserve component servicemembers on average earned more income while activated in 2004 and 2005. Specifically, activated reserve component servicemembers experienced a gross increase in earnings on average of approximately \$1,400 a month in 2004 and approximately \$1,600 a month in 2005. Table 1 shows RAND's comparison between survey responses and administrative pay data from the Social Security Administration and the Defense Manpower Data Center.

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<sup>24</sup> RAND's analysis of military pay data and Social Security Administration data included a calculation for the federal tax advantage based on the assumption that the reserve component servicemembers filed using the option of "single with no dependents." Although RAND acknowledged that the assumption is not applicable to all servicemembers, RAND lacked data on marital status and spousal earnings. RAND determined that the impact of this assumption would be small, on average. For example, while the assumption would lower estimated taxes when spousal income is not included, it might also reduce the number of exemptions that can be taken for dependents, which would raise taxes.

<sup>25</sup> Francisco Martorell, Jacob Alex Klerman, and David S. Loughran, *How Do Earnings Change When Reservists Are Activated?* (Santa Monica, Calif.: RAND Corporation, 2008).

**Table 1: RAND's Comparison of Average Monthly Income Differential, by Aggregated Survey Responses and Administrative Data, Calendar Years 2004 and 2005**

Average monthly income	Survey responses	Administrative data
2004		
Income before activation	\$3,714	\$3,182
Income during activation	3,428	4,561
<b>Income differential</b>	<b>-\$287</b>	<b>\$1,379</b>
2005		
Income before activation	\$12,086 <sup>a</sup>	\$3,000
Income during activation	6,463 <sup>a</sup>	4,626
<b>Income differential</b>	<b>-\$5,623</b>	<b>\$1,625</b>

Source: RAND analysis.

Note: Amounts may not calculate due to rounding.

<sup>a</sup>DOD officials questioned the accuracy and reliability of the 2005 survey results because the 2005 average reported loss was so much greater than the 2004 average reported loss. RAND analyzed the discrepancy in its 2008 technical study, discussed later in this report.

### RAND's Analysis of Earnings Differences by Occupation

The 2008 RAND study introduced an element that was not included in the 2006 study—an analysis of earnings differences by military occupation. RAND found that for most military occupations, on average, reserve component servicemembers earned more income, but the study identified 48 enlisted occupations and 14 officer occupations for which more than 20 percent of sampled reserve component servicemembers experienced any income loss. RAND found that reserve component servicemembers in 3 of the 48 enlisted occupations—sonar operators, investigators, and military training instructors—earned less income on average after activation than they earned as civilians. None of the 14 officer occupations in this group earned less income on average after activation. RAND noted that the military occupations for which more than 20 percent of reserve component servicemembers experienced an income loss represented 18 percent of activated enlisted members and 31 percent of activated officers. Table 2 presents, for the reserve component servicemembers employed in occupations for which more than 20 percent experienced an income loss while activated, the amount of average yearly income gained or lost on average, the percentage of reserve component servicemembers who experienced income loss, and the percentage of reserve component servicemembers who experienced income gain.

**Table 2: RAND's Analysis of Activated Reserve Component Servicemembers' Gross Average Yearly Income Difference, and the Percentages of Reserve Component Servicemembers by Military Occupation with Income Loss and Gain for 2004 through 2005**

In 2004 dollars			
<b>Military occupation</b>	<b>Average yearly earnings difference (gross)</b>	<b>Percentage of reservists with any income loss</b>	<b>Percentage of reservists with any income gain</b>
<b>Enlisted</b>			
Sonar operator, general	-\$1,717	55	45
Investigations	-4,735	54	46
Military training instructor	-385	54	46
Illustrating	796	45	55
Postal	6,387	37	63
Seamanship	7,843	34	66
Small boat operators	6,346	33	67
Safety	2,837	31	69
Biomedical science and allied health	5,199	31	69
Sales store	8,387	31	69
Navigators	7,287	29	71
Radiology	6,976	29	71
Auxiliary labor, general	6,509	29	71
Analysis	7,526	29	71
Central office	6,124	27	73
Training devices	2,533	27	73
Air traffic control radar	1,385	27	73
Surveillance/target acquisition and tracking radar	5,370	27	73
Explosive ordnance disposal/underwater demolition team	4,629	27	73
Musicians, general	5,105	26	74
Intercept operators (code and noncode)	5,454	26	74
Not occupationally qualified, general	5,209	25	75
Automatic data processing computers, general	5,497	25	75
Image interpretation	6,847	25	75
Special forces	8,034	25	75
Dental care, general	7,782	24	76
Surveying	6,136	23	77
Auxiliaries	7,529	23	77

Signal intelligence/electronic warfare, general	7,200	23	77
Medical administration	6,729	23	77
Air crew, general	6,490	23	77
Surgery	7,897	22	78
Aircraft structures	5,579	22	78
Radio/radar, general	7,278	22	78
Missile guidance and control	6,884	22	78
Artillery repair	12,009	22	78
Fabric, leather, and rubber, general	5,310	21	79
Veterinary medicine	9,758	21	79
Boatswains	9,472	21	79
Sonar, general	8,291	21	79
Main propulsion	7,330	21	79
Aircraft engines	6,341	21	79
Electricians	9,206	21	79
Nuclear weapons equipment repair, general	10,618	21	79
Steelworking	8,581	21	79
Construction, general	8,625	21	79
Transportation	9,415	21	79
Medical logistics	9,217	21	79
<b>Officers</b>			
Physicians	5,029	38	62
Other fixed-wing pilots	2,978	38	62
Research and development coordinators	2,106	38	62
Communications intelligence	4,617	38	62
Fixed-wing fighter and bomber pilots	5,885	32	68
Physical scientists	18,275	31	69
Meteorologists	10,118	29	71
Executives, not elsewhere classified	17,616	26	74
Administrators, general	18,654	25	75
Nurses	11,229	25	75
Dentists	14,546	23	77
Supply	16,612	21	79
Biomedical sciences and allied health officers	11,089	21	79
Aviation maintenance and allied maintenance officers	8,758	21	79

Source: RAND analysis.



Senior-level reserve component servicemembers and officials from the Office of the Assistant Secretary of Defense for Reserve Affairs with whom we spoke concurred with RAND's findings. Officials observed that additional pay received while activated, such as a basic allowance for housing, special pays, and other benefits, tended to alleviate most disparities in income. National Guard officials from several states told us that loss of pay during activation was not an issue for their members, with the exception of doctors, lawyers, and employees of energy companies. The June 2007 Status of Forces Survey of Reserve Component Members results show that 61 percent of respondents reported that loss of income during activation, was "not a problem" for the reserve component servicemembers or their families, and 16 percent answered that income loss was a "serious" or "very serious" problem.

#### RAND Studies Identified Factors Limiting Reliability of Survey Responses

RAND identified the primary reason for the differences between self-reported survey responses and RAND estimates based on administrative data to be misreporting of military incomes. RAND found that servicemembers tend to underreport their military earnings by omitting the federal tax advantage, which includes tax-free earnings, and compensation received other than basic pay, such as combat-related special pay. Social Security Administration and military pay data include the federal tax advantage and other special pays. In addition, RAND attributed the significant differences between the 2004 and 2005 survey responses to misreporting of military earnings because of changes in the wording of the questions between the 2004 and 2005 surveys. For example, one question on the 2004 survey asked for "average monthly military compensation prior to your most recent activation," while the equivalent 2005 survey question asks for "average monthly military compensation in the 12 months prior to your most recent activation." The change was introduced to restrict responses to a specific time frame, but given the surprisingly high figures entered, RAND concluded that a group of 2005 survey respondents provided annual rather than monthly averages. RAND found that these responses seemed more in line with responses from the 2004 survey when they were divided by 12. RAND concluded that the misreporting undermined the usefulness of the 2005 survey results for understanding how the earnings of reserve component servicemembers changed while activated. After 2005, the Status of Forces Surveys of Reserve Component Members did not include questions asking for specific income amounts. A Defense Manpower Data Center official stated that because the tabulations were too difficult, surveys no longer include the questions. RAND concluded in its 2008 study that Social Security Administration and military pay data are more accurate and therefore preferable to self-reported survey data for analyzing income differential. Further, administrative pay data are less expensive and less time-consuming to compile than self-reported earnings.

## Recent Increases in Compensation and Available Income Replacement Program May Alleviate Income Loss

Since 2005, Congress has passed legislation and DOD has provided for increases in military compensation such as bonuses, housing, and educational benefits. For example, sections of the National Defense Authorization Acts for fiscal years 2008 and 2009 have allowed for increases in compensation in basic pay, special pays, and recruiting and reenlistment bonuses for certain military occupations. The Post 9/11 Veterans Educational Act of 2008 provided for expanded benefits, such as funding for undergraduate education for qualifying servicemembers who have served on active duty subsequent to September 11, 2001.<sup>26</sup>

Further, beginning in August 2006, DOD implemented the Reserve Income Replacement Program, which reimburses some of the pay differential for reserve component servicemembers who are involuntarily activated and who are experiencing a pay differential as a result of frequent or extended deployments.<sup>27</sup> A reserve component servicemember who was involuntarily mobilized and is currently serving on involuntary active duty<sup>28</sup> is eligible to receive payment under this program after performing a full calendar month of active duty following

- 547 continuous days of service on active duty under involuntary duty orders (approximately 18 months),
- 730 cumulative days on involuntary active duty during the previous 1,826 days (approximately 24 months in 5 years), or
- 180 days of involuntary active duty (approximately 6 months) or more within 180 days after a previous period of involuntary active duty lasting 180 days or more.

The eligible reserve component servicemembers must realize an income differential, as defined in the guidance, of more than \$50 a month, and the monthly payment cannot exceed \$3,000 per month. Income differential is calculated by comparing average monthly income for reserve component servicemembers' civilian jobs over the previous 12 months with total monthly military compensation. Total military compensation is the sum of basic pay, basic allowance for housing, basic allowance for subsistence, federal income tax advantage,<sup>29</sup> special pays, and incentive pays and

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<sup>26</sup> Supplemental Appropriations Act, 2008, Pub. L. No. 110-252, § 5003 (2008). Codified at 38 U.S.C. §§ 3301-3324.

<sup>27</sup> Assistant Secretary of Defense for Reserve Affairs Memorandum, "Reserve Income Replacement Program," March 6, 2008.

<sup>28</sup> Reserve component servicemembers may serve on involuntary active duty under several authorities, including the "Full Mobilization," 10 U.S.C. §12301; "Presidential Reserve Call-up," 10 U.S.C. §12304; and "Partial Mobilization," 10 U.S.C. §12302 authorities. Certain reserve personnel can also serve on active duty on a voluntary basis under 10 U.S.C. §12301(d), which authorizes the service secretaries to order a reserve servicemember to active duty with the consent of that member.

<sup>29</sup> For the purposes of calculating total military compensation for the Reserve Income Replacement Program, the federal income tax advantage that accrues from allowances that are not subject to federal income tax, such as housing allowances and allowance for subsistence, is included. The federal tax advantage that accrues from the combat zone tax exclusion is not included.

allowances that are paid monthly. The calculation for income differential does not include bonuses paid in lump sum or in yearly installments, such as enlistments and reenlistments, and does not include payments of per diem or meals and incidental expenses. Payments for income replacement end when the reserve component servicemember is no longer eligible, such as when released from involuntary active duty, or when total military compensation becomes higher than civilian earned income. The program is set to remain in place until December 31, 2009, unless extended by law.

Few reserve component servicemembers have participated in the Reserve Income Replacement Program since its inception in 2006. From August 2006 through May 2008, only 93 reserve component servicemembers from all Reserve and Guard components received payments from the program, and these totaled about \$800,000. According to reserve component officials, the program addresses only cases in which reserve component servicemembers are involuntarily activated for frequent or extended periods; it is not intended to address all cases of income loss. For example, the program does not pay for income loss by servicemembers who were not deployed for at least 18 consecutive months or for 24 months over the previous 5 years. Also, the program does not provide replacement back pay for the eligibility period—servicemembers receive monthly pay only when still on active duty after the period has passed. Reserve component officials also stated that costs to administer the program may exceed payments to eligible reserve component servicemembers.

In addition, we provided examples of public and private sector supplemental compensation provided to activated reserve component servicemembers in enclosure III.

### **Military Occupations with High Attrition Rates Do Not Correlate with Occupations Identified by RAND as Having the Most Reservists Experiencing Loss of Income**

More than 70 percent of reserve component servicemembers who responded to the 2004 Status of Forces Survey of Reserve Component Members indicated that income loss or insufficient pay would cause them to leave the service.<sup>30</sup> However, we found no correlation between attrition rates and income loss in the military occupations for which, according to RAND, more than 20 percent of reserve component servicemembers experienced income loss when activated. DOD has not determined the extent to which attrition may be due to income loss. National Guard and Reserve component personnel officials told us that reserve component servicemembers leave the service for reasons other than income loss, such as length and frequency of deployment or time spent away from family members.

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<sup>30</sup> Subsequent Status of Forces Surveys of Reserve Component Members do not include any questions about the effect of income loss or insufficient pay on servicemembers' intentions to leave the services.

## Survey Responses and RAND Findings on Retention

Under the mandate from the National Defense Authorization Act of 2005, DOD was required to include a survey question that would solicit information regarding the likely effect that a reoccurring monthly active duty income differential while serving on active duty would have on a servicemember's decision to remain in the armed forces. DOD was required to analyze and report the results of its survey, as well as the results of its analysis, to Congress by January 31, 2006.

However, DOD did not include any questions about the effect of income loss or insufficient pay on servicemembers' intentions to leave the services in the Status of Forces Surveys of Reserve Component Members it sent out from June 2005 through June 2007. Further, DOD has not yet provided an analysis of the likely effect of income loss on attrition. In the absence of DOD's analysis, we reviewed both the responses to its 2004 Status of Forces Survey of Reserve Component Members and findings in the RAND technical studies regarding a correlation between income loss and attrition. According to the 2004 survey responses, approximately 78 percent of respondents reported that income loss while activated would serve as a reason to leave the reserve component. Further, about 74 percent of reserve component servicemembers reported that insufficient pay would be a reason to leave the service.

DOD did not contract with RAND to provide an analysis of the effect of income loss on attrition. RAND did note in its 2006 technical study, however, that it cannot be assumed that a finding of reserve component servicemembers earning more while activated would signify that compensation alone would enable DOD to maintain its desired reserve force. RAND's findings suggested that reserve component servicemembers on average experienced substantial earnings gains, but RAND noted that those gains might not be sufficient to compensate reserve component servicemembers for the hardship of activation. RAND wrote that it is unclear whether increased earnings while activated would be enough to offset the financial (including loss of spousal income and higher household costs) and nonfinancial (including family separation and risk of injury) costs to reserve component servicemembers of being activated. RAND concluded that future research into reforming compensation practices to attract and retain reserve component servicemembers at a time when activations are increasing should focus on those groups experiencing low rates of reenlistment, although there may not be a correlation between those groups and the reserve component servicemembers who experience a decline in income while activated.

## Overall Reserve Component Attrition Rates

Although RAND did not analyze the direct effect of income loss on the attrition of reserve component servicemembers, we analyzed whether a correlation might exist between the occupations RAND identified as having the most reserve component servicemembers who experienced a decline in income and the occupations

experiencing greater attrition rates. We found that with the exception of the Army Reserve, the reserve component does not regularly track attrition rates by military occupation. The Army Reserve tracks attrition rates by service-specific occupations. However, these do not directly correlate with the standard occupation groups that RAND identified as having reserve component servicemembers who had experienced income loss while activated. While the reserve component is aware of critical shortages in certain occupational areas, it does not know whether these shortages are attributable to income loss.

The Defense Manpower Data Center provides the Office of the Assistant Secretary of Defense for Reserve Affairs with monthly and annual Selected Reserve Attrition Reports, which show the overall attrition rate, attrition number, and end strength for each reserve component, but not by military occupation. According to officials in the Office of the Assistant Secretary of Defense for Reserve Affairs, to determine whether attrition rates are acceptable, rates are compared with attrition rate ceilings—the maximum percentage of the force that can be lost while still enabling DOD to meet its end strength objectives.<sup>31</sup> Attrition rate ceilings are established based on the reserve components' projected recruiting and their end strength goals. Attrition ceilings are provided only for enlisted reserve members—not for officers. Strength managers track attrition throughout the year, and leadership can make adjustments in emphasis and resourcing as needed. As shown in table 3, from 2001 through 2008, only three reserve components had attrition rates that surpassed the ceiling for enlisted members.

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<sup>31</sup> Congress annually authorizes the number of members each service may have at the end of the fiscal year. This is known as the authorized end strength.

**Table 3: Reserve Component Attrition Ceilings for Enlisted Members, and Attrition Rates for Enlisted Members and Officers, Fiscal Years 2001–2008**

Percentages									
Component	FY 2000-2008 (ceiling)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
<b>Enlisted attrition</b>									
Army National Guard	19.5	20.0	20.6	18.1	18.6	20.2	18.8	19.7	18.9
Army Reserve	28.6	27.4	24.6	22.1	22.6	23.4	21.5	24.4	21.1
Navy Reserve	36.0	27.6	26.5	26.5	28.2	31.2	32.6	29.9	30.3
Marine Corps Reserve	30.0	26.4	26.0	21.4	26.3	22.0	24.8	25.3	25.3
Air National Guard	12.0	9.6	7.3	12.7	11.5	10.2	10.9	10.5	10.2
Air Force Reserve	18.0	13.4	8.7	17.0	13.6	14.7	15.2	17.7	18.8
<b>Officer attrition</b>									
Army National Guard	N/A	11.4	10.6	9.6	10.7	10.4	9.7	10.2	10.1
Army Reserve	N/A	17.3	16.2	14.1	15.8	14.1	12.1	13.5	12.1
Navy Reserve	N/A	16.0	19.2	16.5	17.5	20.7	17.7	13.7	16.8
Marine Corps Reserve	N/A	22.4	24.3	26.7	31.0	24.3	30.0	25.9	23.7
Air National Guard	N/A	7.4	6.8	10.2	10.2	7.8	7.7	7.2	8.2
Air Force Reserve	N/A	10.2	9.0	14.8	11.4	10.9	9.6	11.8	17.1

Source: The Office of the Assistant Secretary of Defense for Reserve Affairs.

Note: Attrition rates that are above the attrition ceiling are shaded in gray.

The Army National Guard had the most instances—4 of the 8 years—of attrition rates above the ceiling. The Air National Guard and Air Force Reserve both had 1 year of attrition rates that surpassed the respective attrition ceilings.

## Attrition Rates for Military Occupations in Which Reservists Experienced Decline in Income

We analyzed the attrition rates of the military occupations identified by RAND as having more than 20 percent of sampled reserve component servicemembers who experienced a decline in income, and then compared them to overall attrition rates and ceilings. We found that those occupations identified by RAND as having the greatest percentage of reserve component servicemembers who experienced a decline in income did not have the greatest occurrence of above-average attrition. Similarly, the occupations that had the greatest occurrence of above-average attrition were not the ones that had the greatest percentage of reserve component servicemembers with income decline.

To determine whether there was a correlation between attrition and income loss, we requested from the Defense Manpower Data Center a tabulation of the attrition rates by military occupation, similar to the monthly Selected Reserve Attrition Reports provided to the Office of the Assistant Secretary of Defense for Reserve Affairs. We reviewed these attrition rates and end strength numbers for the standard military occupations that RAND found to have the highest percentage of reserve component servicemembers who experienced a decline in income. For each of the six reserve components, and for each year (2001 through 2008), we compared an occupation's attrition rate with the component's overall annual attrition rates and attrition ceilings, to determine whether attrition rates were higher than average. For each occupation, we then identified components that experienced at least 4 years of above-average attrition rates, and created a score reflecting the number of components meeting that criterion. We used this score to measure the occurrence of above-average attrition for each occupation in RAND's list.

We found that for enlisted reserve component members, the five occupations that RAND identified as having the greatest percentage of reserve component servicemembers with a decline in income—sonar operator, general; investigations; military training instructor; illustrating; and postal—did not have the greatest occurrence of above-average attrition as compared with the other occupations identified by RAND. For example, the sonar operator, general, occupation had the largest percentage (55 percent) of reserve component servicemembers who experienced a decline in income, but did not exceed average attrition. The occupational category having the greatest occurrence of above-average attrition of reserve component servicemembers, however, was not occupationally qualified, general;<sup>32</sup> 25 percent of the reserve component servicemembers in this occupational category experienced a decline in income. Similarly, for not occupationally qualified, general, all six reserve components experienced 4 or more years of above-average attrition, while none of the reserve components had above-average attrition for the occupation of sonar operator, general. Table 4 shows the five enlisted occupations

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<sup>32</sup> Reservists under not occupationally qualified, general, have not completed occupational training, been assigned to an occupation, or been allowed to perform in an occupation on their own.

having the most reserve component servicemembers who experienced a decline in income while activated, as compared with the five occupations having the highest number of components that experienced 4 or more years of higher-than-average attrition rates from 2001 through 2008.<sup>33</sup>

**Table 4: Five Enlisted Military Occupations Having the Highest Percentage of Reserve Component Servicemembers Who Experienced a Decline in Income When Activated, Compared with the Five Occupations with the Greatest Occurrence of Attrition, 2001–2008**

Military occupation title	Percentage of reservists with gross income loss	Components with at least 4 years of above-average attrition
<b>Five occupations with the highest percentage of reservists having gross income loss</b>		
Sonar operator, general	55	0
Investigations	54	1
Military training instructor	54	2
Illustrating	45	2
Postal	37	1
<b>Five occupations with the greatest occurrence of above-average attrition</b>		
Not occupationally qualified, general	25	6
Biomedical science and allied health	31	4
Intercept operators (code and noncode)	26	4
Dental care, general	24	4
Surgery	22	4

Source: GAO analysis of Defense Manpower Data Center data.

For officers, the five occupations that RAND found to have the greatest percentage of reserve component servicemembers who experienced a decline in income when activated—physicians, other fixed-wing pilots, communications intelligence, research development coordinators, and fixed-wing fighter and bomber pilots—did not have as many instances of above-average attrition, as compared with enlisted reserve component servicemembers. For example, only one of the five occupations with the

<sup>33</sup> Enc. IV provides the attrition rate analysis for all the military occupations identified in the RAND study to have the most reserve component servicemembers who lost income when activated.



greatest percentage of reserve component servicemembers who experienced a decline in income—physicians—experienced 4 or more years of above-average attrition. Further, although this occupation had the highest percentage of reserve component servicemembers who experienced a decline in income, it was not the occupation that experienced the greatest occurrence of above-average attrition. That occupational category was executives, not elsewhere classified. Table 5 shows the five officer occupations having the most reserve component servicemembers who experienced a decline in income while activated, as compared with the five occupations that had the highest number of components that experienced 4 or more years of higher-than-average attrition rates from 2001 through 2008.

**Table 5: Five Officer Military Occupations with the Highest Percentage of Reserve Component Servicemembers Who Experienced a Decline in Income While Activated, as Compared with the Five Occupations with the Greatest Occurrence of Attrition, 2001–2008**

<b>Military occupation title</b>	<b>Percentage of reservists with gross income loss</b>	<b>Components with at least 4 years of above-average attrition</b>
<b>Five occupations with the highest percentage of reservists having gross income loss</b>		
Physicians	38	1
Other fixed-wing pilots	38	0
Communications intelligence	38	0
Research and development coordinators	38	0
Fixed-wing fighter and bomber pilots	32	0
<b>Five occupations with the greatest occurrence of above-average attrition</b>		
Executives, not elsewhere classified	26	2
Physicians	38	1
Administrators, general	25	1
Dentists	23	1
Supply	21	1

Source: GAO analysis of Defense Manpower Data Center data.

### Reasons for Attrition

Responses for the Status of Forces Surveys were not correlated by military occupation, and DOD has not determined whether changes in attrition can be attributed directly to income loss. Officials from the Office of the Assistant Secretary

of Defense for Reserve Affairs did not attribute any overall attrition change from 2001 through 2008 to income loss or gain. These officials noted that the upward trend in Air Force Reserve attrition rates is partly due to its recent downsizing and decreased attrition in the Army Reserve is due to emphasis on retaining qualified members and better interaction with members following demobilization. In prior GAO reviews and in interviews that we conducted with select National Guard and Reserve components for this engagement, we found that the decision to stay in the military or leave is highly personal, and many factors may affect a servicemember's decision, such as length of deployment, frequency of deployment, and degree of support from employers and family members. Officials from the Office of the Assistant Secretary of Defense for Reserve Affairs, the Army Reserve, and the Air Force Reserve stated that they believed attrition has decreased because of a greater number of benefits and recent changes in laws that have allowed for more compensation. They did not attribute any attrition changes to income loss, noting that they did not have the data needed to do so.

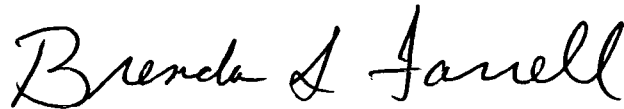
## Agency Comments

In commenting on a draft of this report, DOD concurred with our findings, and noted that it appreciates our review and elucidation of the issue of the earnings of reservists when activated to serve our country in the ongoing Overseas Contingency Operation. We have reprinted DOD's official comments in enclosure V.

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We are sending copies of this report to the appropriate congressional committees. We are also sending copies to the Secretary of Defense; the Secretaries of the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; and the Assistant Secretary of Defense for Reserve Affairs. The report also will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please contact me at (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in enclosure VI.

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is written in a cursive, flowing style.

Brenda S. Farrell, Director  
Defense Capabilities and Management

Enclosures - 6

## List of Committees

The Honorable Carl Levin  
Chairman  
The Honorable John McCain  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Daniel K. Inouye  
Chairman  
The Honorable Thad Cochran  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Ike Skelton  
Chairman  
The Honorable Howard P. McKeon  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Honorable John P. Murtha  
Chairman  
The Honorable C. W. Bill Young  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

## Enclosure I: Scope and Methodology

### Review of DOD's Findings on Income Differential

To evaluate the Department of Defense's (DOD) findings as to any differential between the income earned by reserve component servicemembers while performing active duty service and the civilian income they would otherwise have earned, we reviewed the results of the Status of Forces Surveys of Reserve Component Members from May 2004 through June 2007, and technical studies produced by the Institute for Defense Analyses (IDA) and the RAND Corporation (RAND) regarding the effect of activation on the income of reserve component servicemembers.

#### *Status of Forces Surveys of Reserve Component Members*

We reviewed the questions included in the Status of Forces Surveys of Reserve Component Members from May 2004 and June 2007 related to income loss or reserve pay, and we analyzed tabulated responses received from the Defense Manpower Data Center, which prepared and conducted the surveys. The May 2004 and June 2005 surveys are the most current surveys that included questions concerning earnings before and during active duty service. Subsequent surveys from December 2005 through June 2007 have not asked for specific amounts of income change. The results of the December 2007 and June 2008 surveys were not available at the time of our review and thus were not included in our analysis. We interviewed officials from the Defense Manpower Data Center on their methodology in preparing and conducting the surveys and on their internal controls for ensuring data reliability when tabulating results. We found that the survey data regarding income loss and reserve pay were sufficiently reliable for the purposes of this audit. There were changes in the wording of the questions between the 2004 and 2005 surveys, which RAND had in its analyses found to be unreliable, as discussed on page 16 of our report.

#### *2005 IDA Technical Study*

DOD contracted with IDA to produce a preliminary study on the income gains and losses of mobilized reserve component servicemembers. IDA sought to determine whether typical reserve component servicemembers in various civilian occupations tended to experience a decline or a gain in income while serving on active duty. To do this, it compared the median active duty military incomes of reserve component members from a given civilian occupation with the median civilian earnings for all civilians in that occupation. In August 2005, IDA's study was released and provided median income loss findings for a random sample of reserve component servicemembers who were activated after September 11, 2001, had valid military pay records, and provided information to DOD's Civilian Employer Information database.

The military income medians were computed for 597 groups of reserve component servicemembers representing over 48,000 reserve component servicemembers who served on active duty in 2003. DOD provided the military earnings, degree status, and self-reported civilian occupations. The earnings data allowed the IDA study to determine the amount of each reserve component servicemember's military income not subject to federal taxation. Civilian earnings medians by occupation and education for 2003 were computed using data from the 2000 Census and the March 2004 Current Population Survey. Pay records were not available from the Marine Corps Reserve and Navy Reserve at the time of IDA's study, and IDA's sample represents only the Army Reserve, Army National Guard, Air Force Reserve, and Air National Guard. We did not independently verify these administrative data, but we reviewed IDA's methodology and found that the data were sufficiently reliable for the purposes of this report.

*RAND Technical Studies from 2005 through 2008*

DOD also contracted with RAND to provide analyses of the effect of activation on the earnings of reserve component servicemembers by correlating earnings figures from military pay records with civilian income figures derived from the Social Security Administration. Under this project, RAND released three technical studies in 2005, 2006, and 2008, each subsequent study expanding on the methodology of the prior study.

RAND's 2005 study used a sample consisting of 164,772 reserve component servicemembers activated in 2001 and 2002 only in support of the Global War on Terrorism.<sup>34</sup> In order to estimate whether reserve component servicemembers in its sample earned more or earned less income when activated, RAND compared civilian earnings figures derived from the Social Security Administration for calendar year 2001 with military earnings figures for 2002 and 2003, which were derived from the Reserve Pay File maintained by the Defense Manpower Data Center. RAND's measure of military earnings included pays, allowances, and the approximate value of the federal tax advantage. RAND identified several limitations to its methodology. For example, like the IDA study, this sample did not include the reserve component servicemembers from the Navy Reserve and Marine Corps Reserve, because in 2005 these components maintained active duty pay data for reserve component servicemembers under a different compensation system. Further, reserve component servicemembers activated only in 2002 or serving on active duty for contingencies unrelated to the Global War on Terrorism were not included in the sample.

RAND's 2006 technical study expanded the scope and changed the methodology used in the 2005 study, in order to improve its findings on the effect of activation on the earnings of reserve component servicemembers. RAND's 2006 study compared 2000

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<sup>34</sup> The sample excluded reserve component servicemembers serving under Title 32 following September 11, 2001, for purposes of airport security, guarding nuclear facilities, and other related homeland security activities that were not considered active duty in support of the Global War on Terrorism.

and 2001 civilian income data from the Social Security Administration with 2002 and 2003 military pay data from the Defense Manpower Data Center. RAND expanded its sample to include more than 700,000 reserve component servicemembers, comprising servicemembers from all the reserve components (except the Coast Guard Reserve) who served from 1999 through 2003, served on active duty for any reason during this time, had active duty and reserve pay records, and had corresponding civilian income data from the Social Security Administration. RAND excluded from this sample those reserve component servicemembers with a rank higher than O-6, as there were too few reserve component servicemembers to project from these ranks; those who did not receive military pay in 2000; and those who were active duty servicemembers (not reserve component servicemembers) in 2000. To determine gross earnings gains or losses, RAND computed the actual difference between civilian earnings in the base year (2000) and military earnings in the out year (2002 or 2003). RAND also analyzed net gains or losses by calculating the difference between the annual military earnings of reserve component servicemembers in the sample for 2002 or 2003 and the annual civilian earnings of reserve component servicemembers of comparable rank and component who were not activated in 2002 or 2003.

RAND's 2008 study was conducted to determine why there was such a large discrepancy between the income differential analysis on the May 2004 and June 2005 Status of Forces Surveys of Reserve Component Members and the analysis based on administrative data. Unlike the 2006 study which sampled from all reserve component servicemembers who were activated from 1999 through 2003 and had available military pay and Social Security data, RAND's sample for the 2008 study consisted only of respondents to the 2004 and 2005 Status of Forces Surveys of Reserve Component Members who were activated from 2002 through 2004 and had available military pay and Social Security Administration data. The 2008 study expanded on RAND's 2006 income differential analysis to include 2004 and 2005 administrative and military pay data. The 2008 study also added an analysis that identified the standard military occupations having the most reserve component servicemembers who had experienced an income loss while activated. Further, RAND reviewed June 2005 survey results and reconciled the differences with the May 2004 survey responses.

The June 2005 survey used a larger sample of reserve component servicemembers (211,003) than was used in the May 2004 sample (55,794). This was due to the requirement in the 2005 National Defense Authorization Act that at least 50 percent of all reserve component servicemembers who served on active duty in support of a contingency operation at any time from September 11, 2001, through September 30, 2005, be included in the survey conducted to determine the extent to which reserve component servicemembers might have sustained a reduction in monthly income during their period of active duty service compared to their average monthly civilian income during the 12 months preceding their mobilization. RAND noted that differences between the questions regarding income loss in the 2004 and the 2005 surveys led to changes in its analysis because the results were not comparable. For example, the 2005 survey asked respondents about their military income for activations after September 11, 2001, whereas the 2004 survey asked only about military income in the preceding 12 months from their most recent activation. To

correct for this, RAND included only pre-activation average monthly military earnings for 12 months before the most recent activation. In addition, RAND found that problems created by the 2005 survey respondents' misreporting of civilian and military pay earnings undermined the value of the 2005 survey results.

We did not independently verify the data provided by the surveys or the military and Social Security Administration pay data because these complex data spanned various databases over multiple years, and correlating the records with the data would require extensive time and resources. Instead, we reviewed the detailed documentation of the methodologies used in each of the RAND technical studies to analyze the survey results and military pay data received from the Defense Manpower Data Center and the civilian pay data from the Social Security Administration. We discussed the scope and methodology used by RAND and the Defense Manpower Data Center with the officials who produced these analyses, and we also discussed the internal controls they used to ensure data reliability. Based on our review, we believe the methods used by RAND and the Defense Manpower Data Center were sound and that their analyses and conclusions are sufficiently reliable for the purposes of our audit.

#### *Additional Sources of Compensation for Activated Reservists*

We spoke with officials from the Office of the Assistant Secretary of Defense for Reserve Affairs and senior-level reserve component officials about their experiences. In addition, to provide examples of other sources of compensation available to activated reserve component servicemembers, we contacted state and local governments that were previously selected in a prior GAO review<sup>35</sup> and private sector organizations surveyed by the Reserve Officers Association of the United States<sup>36</sup> to analyze their programs and policies regarding pay differential compensation for their employees who are reserve component servicemembers serving on active duty. We did not assess all state, local, and private sector programs that are available because of limited time and resources for this review, and our findings on these programs are not generalizable to all state, local, and private sector programs available. Further, we researched federal laws that have addressed reserve component compensation since 2005.

#### Review of Attrition Resulting from Income Loss

To determine the extent to which any differential existing between the income earned by the activated reserve component servicemembers and that earned by civilians has affected attrition for reserve component servicemembers, we reviewed Status of Forces Surveys of Reserve Component Members from 2004 through 2007 and the RAND technical studies for any findings related to attrition caused by income

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<sup>35</sup> GAO, *Military Personnel: DOD Needs More Data to Address Financial and Health Care Issues Affecting Reservists*, GAO-03-1004 (Washington, D.C.: Sept. 10, 2003).

<sup>36</sup> Elizabeth H. Manning and Carol A. Kelly, "The Best Bosses," *The Officer*, December 2008.



loss. The surveys and RAND studies minimally addressed attrition, so we also analyzed component-level and occupation-level attrition data provided by Defense Manpower Data Center and compared them with RAND's findings for military occupations having the most reserve component servicemembers who lost income while activated. The Defense Manpower Data Center regularly provides the Office of the Assistant Secretary of Defense for Reserve Affairs monthly and annual Selected Reserve Attrition Reports showing component-level attrition data, which the office uses to track attrition rates for each reserve component. The Defense Manpower Data Center provided us with occupation-level attrition data, using the same methodology it uses to prepare the Selected Reserve Attrition Reports, by standard military occupation codes for each of the reserve components. To determine whether there was a correlation between attrition and income loss, we reviewed reserve component attrition rates and end strength numbers for the military occupations that RAND found to have the highest percentage of reserve component servicemembers with lost income. For each of the six reserve components, and for each year (2001 through 2008), we compared an occupation's attrition rate with the component's overall annual attrition rates to determine whether attrition rates were higher than average. We excluded instances of above-average attrition when end strength was less than 20 reserve component servicemembers in the occupation. For each occupation, we then identified components that experienced at least 4 years of above-average attrition rates, and created a score reflecting the number of components meeting that criterion. We used this score to measure the frequency of above-average attrition for each occupation in RAND's list. We reviewed the Defense Manpower Data Center's methodology and analyzed the logs it generated when compiling and calculating the attrition rates, attrition numbers, and end strength by component and by military occupation. We spoke with Defense Manpower Data Center officials about internal controls to ensure data reliability and found that their methodology was sound. We determined that the data were sufficiently reliable for the purposes of this audit. Further, we interviewed senior-level officials from the Office of the Assistant Secretary of Defense for Reserve Affairs and from the National Guard and Reserve components to discuss their tracking of reasons for attrition.

We conducted this performance audit from August 2008 through June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Enclosure II: Comparison of Questions from 2004 and 2005 Status of Forces Survey of Reserve Component Members regarding Income

2004 survey question	2005 survey question
<p>96. How much was your average <u>monthly military</u> compensation <u>prior</u> to your most recent activation before taxes or other deductions?</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average <u>monthly military</u> compensation was at least: But no more than:</p>	<p>96. How much was your <u>average monthly military</u> compensation (excluding reenlistment bonuses) in the 12 months <u>prior</u> to your most recent activation, before taxes and other deductions (i.e., gross pay)?</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average monthly military compensation was at least: but no more than:</p>
<p>97. How much was your average <u>monthly military</u> compensation <u>during</u> your most recent activation, before taxes or other deductions?</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average <u>monthly military</u> compensation was at least: but no more than:</p>	<p>97. How much was your <u>average monthly military</u> compensation (excluding reenlistment bonuses and imminent danger/hostile fire pay) <u>during</u> your most recent activation, before taxes and other deductions (i.e., gross pay)?</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average monthly military compensation was at least: but no more than:</p>
<p>99. How much was your average <u>monthly civilian</u> income from all sources <u>prior</u> to your most recent activation, before taxes or other deductions?</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average <u>monthly civilian</u> income was at least: but no more than:</p>	<p>102. How much were your <u>average monthly civilian</u> earnings from employment in the 12 months <u>prior</u> to your most recent activation, before taxes and other deductions (i.e., gross pay)? EXCLUDE income from bonuses, stocks and bonds, paid up life insurance, IRAs, savings, annuities, estate and trust payments, and rental income from property.</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average monthly civilian earnings were at least: but no more than:</p>
<p>100. Did you have any civilian income <u>during</u> your most recent activation?</p> <p>Yes No</p>	<p>105. Did you have any civilian earnings from employment <u>during</u> your most recent activation?</p> <p>Yes No</p>
<p>101. How much was your average <u>monthly civilian</u> income from all sources <u>during</u> your most recent activation, before taxes or other deductions?</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average <u>monthly civilian</u> income was at least: but no more than:</p>	<p>108. How much were your <u>average monthly civilian</u> earnings from employment <u>during</u> your most recent activation, before taxes and other deductions (i.e., gross pay)? EXCLUDE income from bonuses, stocks and bonds, paid up life insurance, IRAs, savings, annuities, estate and trust payments, and rental income from property.</p> <p>You can enter an amount here: Or, if you prefer, you can enter a range here. My average monthly civilian earnings were at least: but no more than:</p>

Source: Defense Manpower Data Center.

Note: Underlining and capitalization for emphasis is from original source.

### **Enclosure III: Examples of Public and Private Sector Policies on Compensation for Activated Employees**

In March 2009, Congress passed the Omnibus Appropriations Act for 2009<sup>37</sup> that included a provision entitling qualifying federal employees, serving on active duty in the uniformed services or the National Guard, to receive additional compensation from their federal employers to make up the difference of the amount of pay they would have received if their civilian employment pay amount exceeds the amount of pay they receive for their military service. The act also required that no later than 120 days after enactment, each executive department and agency submit to the Director of the Office of Management and Budget a report stating the total size of its workforce, differentiated by the number of civilian, military, and contract workers, as of December 31, 2008. Because the law was recently passed, we were not able to assess how many federal employees this would assist and how effectively the act would be implemented across executive departments and agencies.

We contacted state and local governments to provide examples of compensation programs that help alleviate income loss by their employees who are reserve component servicemembers serving on active duty. Table 6 shows examples of state and local governments that provide their employees additional compensation when they are activated as reserve component servicemembers.

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<sup>37</sup> Omnibus Appropriations Act, 2009, Pub. L. No. 111-8, § 751 (2009).

**Table 6: Examples of State and Local Governments That Offer Additional Compensation for Employees Who Are Activated Reserve Component Servicemembers**

State or city	Income assistance offered to activated employees	Additional benefits
Georgia	Pay differential—the difference between the employee's base state salary and his/her base military salary.	Reservists and their families continue to receive state benefits while activated. Employees may also elect to continue certain benefits offered through the Cafeteria Plan, State Health Benefit plan, or both, or elect to discontinue them under the Qualified Change of Status rules. Employees who elect to continue their benefits may do so through personal payments, a deduction from the military differential pay (if this is sufficient to cover the benefits), or a combination of both.
Virginia	Fifteen workdays of paid leave to state employees called to active duty. After this time period, employees are eligible to receive pay differential—the difference between the employee's base government salary and his/her base military salary.	Reservists and family members may continue their health benefits under Extended Coverage, with the state's contribution to active employee premiums. Any contribution the employee made before active duty will remain the same under Extended Coverage. In addition, the 2 percent administrative fee normally added to Extended Coverage premiums will not be charged. Extended Coverage may continue for up to 24 months.
Ohio	Pay differential—the difference between the state employee's gross monthly pay and the sum of the employee's gross military pay and allowances received that month.	Employees may elect to continue health benefits, as long as they continue to pay the employee's share of the monthly premium. Under certain circumstances an employee may be eligible to receive free service credit for purposes of determining retirement eligibility under the state retirement plan. Employees are eligible for increases in pay and longevity supplement, which will affect their paid military leave benefits and their pay upon returning to work.
New Jersey	Pay differential—the difference between the employee's annual state salary and his/her military base pay.	Reservists can choose to continue to receive state employee benefits while activated.
New Hampshire	Pay differential—the difference between the employee's state pay and his/her basic military pay.	Reservists and their families are eligible to continue receiving state benefits while activated.
City of New York	Full city salary while activated, with a refund of the lesser of the employee's city or military pay.	N/A

Source: GAO analysis of public sector programs.

We also contacted private sector companies to provide examples of additional compensation or paid leave offered to their employees who are activated reserve component servicemembers. Table 7 shows examples of private sector companies that offer additional compensation or paid leave to employees who are activated reserve component servicemembers.

**Table 7: Examples of Private Sector Companies That Offer Additional Compensation or Paid Leave for Their Employees Who Are Activated Reserve Component Servicemembers**

Private companies	Income assistance offered to activated employees
Cardi Furniture	Pay differential—the difference between the employee’s full monthly civilian pay and his/her monthly military pay.
Union Pacific	Pay differential—the difference between the employee’s average annual civilian salary and his/her base military pay with no additional military benefits or allowances included. There are no time limits to differential payments. Differential pay only applies to employees who are members of the labor union.
Strategic Solutions, Inc.	Two weeks of paid leave per year specifically for any military active duty.
Costal Windows	Pay differential—the difference between the employee’s civilian pay and his/her military pay.
General Motors	Pay differential—the difference between the employee’s civilian pay and his/her military pay There is no time limit to receiving the pay differential.
Dominion Power	Pay differential—the difference between the employee’s civilian base pay and his/her base military pay, excluding other military pays and allowances, such as housing allowances.

Source: GAO analysis of private sector programs.

**Enclosure IV: Number of Years That Occupations Experiencing Income Loss Had Above-Average Attrition by Reserve Component, 2001–2008**

Occupation title	Percentage of reservists with gross income loss	Number of years with above-average attrition						Components with above-average attrition for at least 4 years
		Army Reserve	Army National Guard	Navy Reserve	Marine Corps Reserve	Air Force Reserve	Air National Guard	
Enlisted								
Not occupationally qualified, general	25	7	7	6	7	7	7	6
Biomedical science and allied health	31	4	5			4	4	4
Intercept operators (code and noncode)	26	8	5		6	7		4
Dental care, general	24		5	5		6	7	4
Surgery	22	6	7			7	5	4
Radiology	29		8			7	8	3
Analysis	29	5	4			7		3
ADP computers, general	25			4	4	6		3
Surveying	23	8			4		4	3
Medical administration	23	6	4				7	3
Aircraft structures	22	8		6	5			3
Missile guidance and control	22	7		6	4			3
Aircraft engines	21	5		5	5			3
Electricians	21	5		4			5	3
Military training instructor	54					5	5	2
Illustrating	45					5	5	2
Image interpretation	25		5			7		2
Auxiliaries	23		6	7				2
Radio/radar, general	22					6	4	2
Construction, general	21			8			5	2
Medical logistics	21	4					5	2

Investigations	54		4					1
Postal	37					5		1
Seamanship, general	34			8				1
Small boat operators	33		5					1
Safety	31						4	1
Sales store	31			7				1
Navigators	9			7				1
Central office	27					5		1
Air traffic control radar	27				4			1
Explosive ordnance disposal/underwater demolition team	27						4	1
Special forces	25	5						1
Signal intelligence/electronic warfare, general	23			8				1
Air crew, general	23			5				1
Veterinary medicine	21		6					1
Boatswains	21			6				1
Sonar, general	21			7				1
Main propulsion	21			8				1
Steelworking	21			4				1
Transportation	21						4	1
Sonar operator, general	55							0
Auxiliary labor, general	29							0
Training devices	27							0
Surveillance/target acquisition and tracking radar	27							0
Musicians, general	26							0
Artillery repair	22							0
Fabric, leather, and rubber, general	21							0

Nuclear weapons equipment repair, general	21							0
Officer								
Executives, not elsewhere classified	26				7		5	2
Physicians	38					4		1
Administrators, general	25						5	1
Dentists	23						4	1
Supply	21				4			1
Aviation maintenance and allied	21				5			1
Other fixed-wing pilots	38							0
Communications intelligence	38							0
Research and development coordinators	38							0
Fixed-wing fighter and bomber pilots	32							0
Physical scientists	31							0
Meteorologists	29							0
Nurses	25							0
Biomedical sciences and allied health officers	21							0

Source: GAO analysis of Defense Manpower Data Center data.



## Enclosure V: Comments from the Department of Defense



RESERVE AFFAIRS

ASSISTANT SECRETARY OF DEFENSE  
1500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1500

JUN 17 2009

Ms. Brenda S. Farrell  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Ms. Farrell:

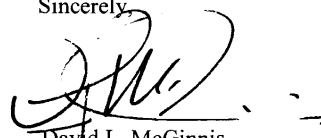
This is the Department of Defense (DoD) response to the Government Accounting Office (GAO) draft report, GAO-09-688R, "Military Personnel: Reserve Component Servicemembers on Average Earn More Income while Activated" dated June, 2009 (GAO Code 351243).

Thank you for the opportunity to review the Draft Report. Overall, I concur with the draft report's findings and conclusions.

The Department appreciates your review of this important matter which elucidates the contentious issue of the earnings of Reservists when activated to serve our country in the ongoing Overseas Contingency Operations.

My point of contact on this issue is Colonel Nilda E. Urrutia, Director, Military Personnel Policy, who can be reached at (703) 693-8626.

Sincerely,



David L. McGinnis  
Acting



## **Enclosure VI: GAO Contacts and Staff Acknowledgments**

### **GAO Contact**

Brenda S. Farrell, (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov)

### **Acknowledgments**

In addition to the contact named above, Marilyn Wasleski, Assistant Director; Seth Carlson; Cynthia Grant; Jennifer Gravelle; Nicole Harms; Gina Hoffman; Tamiya Lunsford; Kelly Rubin; Andrew Stavisky; Cheryl Weissman; and Dale Wineholt made key contributions to this report.

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